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FINANCE

May 5, 1982

Honorable John Vasconcellos, Chairperson
Assembly Ways and Means Committee

Honorable Alfred E. Alquist, Chairperson
Senate Finance Committee

MAY REVISION

Most of the information traditionally contained in the May Revision has already been provided to the Legislature in my April 7 letter. That letter presented the new (lower) revenue estimates and as much information on revised expenditure data as was available at the time. The major piece of information missing was the expenditure estimates that are primarily determined by population, caseload, or enrollments. This missing link is provided by this letter. Revised expenditure projections for Medi-Cal are down in both the current and budget years. Welfare, Corrections, and Education all report savings in the current year but have increased costs in the budget year.

In the following table, these new expenditure estimates are folded into the previously reported estimates. This is shown in summary in the box on the table. On balance, expenditures are reduced by $149 million in the current year and $11 million in the budget year. Further details of the May Revision are spelled out in the pages immediately following the table.

The May Revision, however, is only one part of the fiscal picture. The "bottom line," that is, the size of the General Fund reserve at the close of the fiscal year, should be the focus of attention. There are a whole series of events that we fully expect to take place soon. These events are summarized under "LIKELY BUDGET CHANGES" (further detail appears subsequently in the report). If these changes occur, the reserve in the current year is reduced to $67 million, and the deficit widens to $1.461 billion in the budget year.

Furthermore, there is also a good possibility that other events might occur, such as the passage of the two revenue initiatives on the ballot in June, which would throw the current year budget into deficit and further widen next year's deficit. If all of these identified POTENTIAL BUDGET CHANGES were to occur, the deficit would be $17 million in the current year and $3.3 billion in the budget year.

Regarding revenues: Monthly data on actual General Fund revenues received by the State are available on the tenth of the following month. In March, the Franchise Tax Board processed personal income tax refunds much faster than in

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Regarding revenues: Monthly data on actual General Fund revenues received by the State are available on the tenth of the following month. In March, the Franchise Tax Board processed personal income tax refunds much faster than in

previous years. As a result, on balance General Fund revenues were below our monthly estimate by $127 million. We expect to recover that loss, however, in the next two or three months, as indicated under POTENTIAL BUDGET CHANGES. If revenues do not recover as expected, the deficit will grow in both years. We will have the final April revenue data on Monday, May 10.

Since the introduction of the Governor's Budget, we have provided to the fiscal committees a weekly update on the status of the General Fund. We will continue to do so in our effort to work jointly with the Legislature to devise an acceptable method of developing a balanced budget.

MARY ANN GRAVES
Director of Finance

Attachment

BUDGET OVERVIEW*
GENERAL FUND
(In Millions)

		Reserve Available 1981-82		Reserve Available 1982-83
As of January 10, 1982		$116		$500
May Revision Prior Year Adjustment	-$22	+$94		
Carryover of 1981-82 Changes			-$49 **	+$451
BUDGET CHANGES:				
Total Chaptered Legislation	+$515		-$489	
DOF Revised Revenue Estimate	-475		-805	
March Revenue Shortfall	-127		--	
TOTAL BUDGET CHANGES	-$87	+$7	-$1,294	-$843
MAY REVISION CHANGES	+$149	+$156	+$11	-$832
LIKELY BUDGET CHANGES:				
Tax Relief	+$14		+$5	
Estimated Unidentified Savings	-100		--	
Freeze Savings	+50		--	
Medi-Cal 6 Percent Cap	-37		-100	
Replenishment of Reserve	--		-500	
Local Mandate Claims Bill (AB 2675)	--		-39	
Equity Claims Bill (SB 1655)	-3		--	
Reduction of PERS Transfer-- Federal Funds	-13		--	
Federal Oil Royalty Audits	--		+5	
TOTAL LIKELY BUDGET CHANGES	-$89	+$67	-$629	-$1,461
POTENTIAL BUDGET CHANGES:				
1981-82 Potential Carryover	--		-$84	
K-12 Special Ed	-$19		--	
Loss of PERS Transfer	-175		--	
Refugee Funding Shortfall	-17		-49	
Failure to Pass Balance of Governor's Revenue Program	--		-301	
Failure to Pass Proposed Governor's Reductions	--		-935	
Success of Initiatives	--		-340	
Failure of Prison Bonds	--		-162	
Interest on General Fund Loans	--		-15	
Recovery of March Revenue Loss	+127		--	
TOTAL POTENTIAL CHANGES	-$84	-$17	-$1,886	-$3,347

*See detail of budget overview for additional information.
**Only assumes likely changes, does not include impact of 1981-82 potential changes.

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May 5, 1982

SUMMARY
MAY REVISION CHANGES
GENERAL FUND
(In Millions)

	Effect on Surplus 1981-82	1982-83
K-12 Education	+$38.7	-$7.5
K-12 Special Education	--	-10.7
University of California	+1.0	-3.8
California State University	+7.0	+.1
Community Colleges	--	+.7
Medi-Cal	+43.0	+81.9
Developmental Services	+2.7	-6.0
Mental Health	--	-1.3
Welfare-Social Services	+42.7	-74.3
Corrections	+1.0	-18.1
Youth Authority	+4.6	+1.9
Industrial Relations	--	+18.0
Statewide Reduction of PERS Employers' Contribution Rate	--	+26.2
All Other Expenditures	+8.9	+3.9
Total May Revision Changes	+$149.6	+$11.0

MAY REVISION DETAIL

GENERAL FUND
(In Millions)

	Effect on Surplus 1981-82	1982-83
MAY REVISION DETAIL	(+$149.6)	(-$33.2)
K-12 Education	+$38.7	-$7.5

The revised 1981-82 expenditures for K-12 Education includes a savings of $98.0 million. However, $59.3 million is included in Chapter 115/82 (AB 1253) which is shown separately. The difference, or $38.7 million is considered the "May Revise" savings.

This revision is due primarily to reduced average daily attendance (ADA) forecasts ($54.7 million). The current ADA forecast for 1981-82 is 4,218,500, a reduction of 29,500 from the December forecast. Also included are reduced home-to-school transportation expenditures ($16.7 million), and several technical adjustments ($11.1 million).

Some of the ADA-related savings are offset by increased State aid for declining enrollment and minimum revenue guarantees ($35 million), which tend to rise when ADA falls. The estimated savings also are reduced by $8.8 million due to a revised forecast of 1981-82 local revenues. It is currently anticipated that all of the supplemental unsecured roll taxes due districts and county offices will be received by June 30, 1982.

The 1982-83 expenditure increase reflects revised estimates of local revenues and average daily attendance. Local revenues are anticipated to be $55.9 million less than was projected in December. $15.3 million of this decrease is due to a revised forecast of growth in assessed valuation (11.5% vs. 12.0%); the remaining $40.6 million is due to the adjustment in 1980-81 base property taxes to reflect actual receipts. Other factors, including technical changes to the COLAs, account for increased expenditures of $5.3 million. Offsetting these increases are reduced expenditures due to decreased ADA forecasts ($33.2 million), decreased home-to-school transportation expenditures ($5.7 million), and base revenue limit adjustments ($10.6 million). Additionally, the General Fund requirement is being reduced because of an anticipated increase in State School Fund income from oil and mineral royalties ($4.3 million). A joint audit by the State Controller's Office and the Federal Government of under-reporting of oil production is expected to increase State school funds and oil and mineral royalties by $4.3 million.

	Effect on Surplus 1981-82	1982-83
K-12 Special Education	--	-$10.7

The Department of Education has identified a $29.1 million General Fund deficiency in the 1981-82 appropriation for the Master Plan for Special Education, Item 610-101-001(d). Department of Finance analysis of First Principal Apportionment data submitted by districts and county offices indicates a potential deficiency of $18.6 million rather than $29.1 million. The difference between the Finance estimate and that of the Department of Education is due to (1) Finance's estimate of greater Federal funds ($5.4 million) and local property taxes ($1.5 million) than were reported by local agencies, and (2) Finance's assumption that $3.6 million of the appropriation used to match Federal funds for Vocational Education (PL 94-485) programs will be allocated to districts as part of the entitlements generated by the Master Plan funding mechanism.

For the 1982-83 fiscal year, General Fund costs are expected to be $10.7 million greater than the amount provided in the Governor's Budget. The increase is due primarily to a smaller percentage of pupils being placed in Special Day Classes, the most restrictive class setting, than was anticipated in the Governor's Budget. This has resulted in a $16.5 million reduction in general purpose apportionments for Special Education ADA. Under current law, such apportionments are treated as reimbursements to the Special Education Program, reducing the General Fund costs of the program. Therefore, the net effect of this change will be to increase the State General Fund costs by $16.5 million. Offsetting this increase are decreases in General Fund costs of $5.8 million due to increased Federal funds and increased local agency contributions.

The Department of Finance continues to be concerned about the lack of Special Education Program eligibility criteria and the lack of standards and criteria to be used by local agencies in computing the costs on which General Fund expenditures are based. Without both uniform eligibility criteria and criteria for determining costs, it is impossible to determine an adequate level of funding for the Special Education Program. Consequently, we recommend that until such criteria have been implemented, General Fund expenditures be limited to $677.1 million for 1981-82 and $734.7 million for 1982-83.

	Effect on Surplus 1981-82	1982-83
University of California	+$1.0	-$3.8

The revised 1981-82 General Fund expenditures include a savings of $1.2 million. Of this amount, $.2 million is included in chaptered legislation which is shown separately. The remaining savings, or $1.0 million is a reduction in the proposed deficiencies appropriation authorized by Section 28.9 to fund undergraduate general campus over enrollments in excess of 2 percent.

The 1982-83 Budget has been increased $3.8 million to provide State support for the upward revision of 1,072 FTE general campus undergraduate students over the level anticipated in the proposed Governor's Budget. The undergraduate enrollments are now estimated at 90,250 FTE rather than the 89,178 FTE reflected in the Budget.

California State University	+7.0	+.1

The revised 1981-82 General Fund expenditures include a savings of $7.0 million primarily due to normal administration practices and controls associated with administering a program in the magnitude of CSU.

It is proposed that the 1982-83 Budget for the California State University be reduced $.1 million. This reduction is the net result of program reductions and redirections necessary to fund a projected $2.6 million shortfall in nonresident tuition reimbursements and $3.7 million shortfall necessary to fund an additional 2,000 resident full-time equivalent students (FTEs).

Community Colleges	--	+.7

The 1982-83 General Fund expenditures for apportionments have been reduced by $.7 million to offset increased Federal Oil and Mineral Royalty Revenue expected to accrue to the State School Fund for this purpose. Fifteen percent of such revenue is allotted to Section B of the fund for community college apportionments and 85 percent is allotted to Section A for K-12 and county office support. Additional revenue is expected to result from a joint audit currently being conducted by the State Controller's Office and the Federal Government regarding the under-reporting of oil production by oil firms.

Medi-Cal	+43.0	+81.9

This revision is based upon the Governor's Budget as submitted and includes all caseload/user changes; increased Federal funding resulting from a 2 percent, rather than 3 percent, loss of Federal funding in Federal Fiscal Year 1982; and hospital inpatient costs incurred because court restraining orders have prevented the State from implementing the 6 percent hospital inpatient cap in approximately one-third of the hospitals participating in the program. (If the State loses suits in this area, costs could increase by $36.8 million in 1981-82 and $100.2 million in 1982-83 above the May Revision totals. See Likely Budget Changes.)

	Effect on Surplus 1981-82	1982-83
Developmental Services	+$2.7	-$6.0

The current year reflects a savings of $2.7 million of which $.6 million has been proposed for reappropriation in 1982-83.

The budget year increase in expenditures of $6.0 million includes (1) a reappropriation of $.6 million for continuation of automation projects; (2) Regional Center caseload increases of $2.3 million; (3) $2.0 million for transition funding for ICF/DDH; (4) an increase of $3.0 million for unanticipated increases in hospital utility costs; and (5) a reduction of $1.9 million to reflect an overhead transfer between Developmental Services and the Department of Mental Health.

Mental Health	--	-1.3

The net change to 1982-83 for Mental Health is an increase of $1.3 million which is comprised of (1) a reduction of -$1.3 million in hospitals peace officers transferred to the Department of Corrections, for, (2) an increase of $1.9 million to reflect an overall increase in the Department of Mental Health population in proportion to the Department of Developmental Services population, and (3) $.7 million to provide for increased utility costs in Mental Health hospitals.

Welfare--Social Services	+42.7	-74.3

The revision to the current year is principally due to reduced costs in AFDC of $15.7 million which is primarily a result of revised estimates regarding loss of Federal Financial Participation, program savings due to AB 1X and AB 2X, and reduced costs associated with court cases. Reduced costs in SSI/SSP of $48.5 million result from the recovery of $25 million in Federal Fiscal liabilities, in reduced caseload and reduced costs of $15.1 million in county administrative costs associated with AFDC. These and other minor program savings and cost result in a total reduction of $74.2 million in the current year. This includes the impact of Chapter 115/82 (AB 1253) and AB 2X which provided a savings to the General Fund of $31.5 million which is already reflected in chaptered legislation which is shown separately in this package.

The revision to the budget year is principally due to increased AFDC costs of $66.6 million which are primarily the result of increased caseload in AFDC-U, costs associated with court cases, and increased General Fund cost in Foster Care. Increased cost in SSI/SSP of $37.9 million result from a decrease in the national CPI from 9.8 percent to 7.4 percent and a decrease in the expected unearned income available to reduce grant costs. These and other minor costs are partially offset by a savings of $32.5 million in COLA due to a change in the CNI from 8.8 percent to 8.2 percent.

	Effect on Surplus 1981-82	1982-83
Corrections	+$1.0	-$18.1

The 1981-82 Governor's Budget is being reduced by approximately $1 million in line with a revised community bed activation schedule. The 1982-83 Governor's Budget is being revised by approximately $18 million to provide for increased inmate population estimates ($15 million) and security at Patton State Hospital (Chapter 9/82--AB 2385) to maintain the required level of security staffing for existing and increased patient population ($3 million).

Youth Authority	+4.6	+1.9

The revised 1981-82 General Fund expenditures includes a savings of $4.3 million due to reduced population estimates. The reduced population levels reflect the policy of rejecting the more criminally sophisticated wards due to limited available program space.

The 1982-83 Governor's Budget, as originally submitted, projected a ward population of 5,982 by June 30, 1983. The Department of the Youth Authority's (CYA) revised population estimates as of April 20, 1982 indicate a population of 5,880 by June 30, 1983 for a reduction of 102 wards. As a result of the revised population projections, the CYA institutions and camps budget can be reduced by $1.9 million.

Industrial Relations	--	+18.0

In the past, in the area of workers' compensation benefits, the State reimbursed local entities for costs under five legislative mandates pursuant to Section 2231(a) of the Revenue and Taxation Code (SB 90). However, it was determined that three of the legislative mandates provide reimbursements to local government for inflationary adjustments to workers' compensation benefits. Accordingly, Chapter 4 of the first extraordinary session of 1981-82 (AB 7X), provides that legislation for increased cost-of-living adjustments for inflationary changes is not considered a new program or an increased level of service. This $18.0 million reduction identifies the 1982-83 inflationary adjustment contained in the budget.

Statewide Reduction of PERS Employers' Contribution Rates	--	+26.2

As a result of the quadrennial evaluation of the PERS Fund, the board adopted a revised schedule of employers' contribution rates. The rates for all four categories of State employees were reduced. Legislation has been introduced to reduce the State's contribution to PERS by adopting the new rates approved by the PERS Board. The General Fund savings from this action will be $26.2 million.

	Effect on Surplus 1981-82	1982-83
All Other Expenditures	+$8.9	+$3.9

All other expenditures for the current year include a savings of $153.3 million of which $145.1 million is separately reflected in chaptered legislation. The difference, or $8.9 million represents changes in various programs such as Resources $2.8 million primarily due to a deficiency reduction in Forestry of $1.7 million; Guardianship/Conservatorship Program reported a savings of $1.2 million due to moving a deficiency from current year to the budget year; and a reduction of Augmentation for Employers' Compensation resulted in a savings of $3.5 million.

The $3.9 million savings in the budget year also represents changes in various programs such as reduction in Department of Food and Agriculture of $1.8 million; reductions in Employment Development Department of $1.5 million and Social Services-Support of $2.1 million. This also includes requests for additional funds for Augmentation of Medfly Eradication for $.5 million and the State Controller for $.7 million.

May 5, 1982

BUDGET OVERVIEW DETAIL
BUDGET CHANGES
GENERAL FUND
(In Millions)

	Effect on Surplus 1981-82	1982-83
RESERVE AVAILABLE PER GOVERNOR'S BUDGET	$116	$500
May Revision Prior Year Adustment	-22	--
The surplus in the Governor's Budget is based on an estimate of accrued expenditures to be made for current and prior years. Based on May Revision documents submitted by the departments, the prior year expenditure accruals were understated by $22 million.		
Carryover of 1981-82 Changes	--	-49
BUDGET CHANGES:		
Chaptered Legislation:		
Budget Savings (AB 1253)	+$450	-$391
Various Reversions of General Fund Appropriations (AB 7X)	+73	--
Sales Tax Acceleration and Interest on Delinquent Taxes (AB 8X)	+40	-110
PIT Employer Withholding (AB 6X)	-28	+18
Patton Security (AB 2385)	-1	-1
Local Mandate Claims (AB 171)	-12	-3
Ca. Conservation Corps (SB 987)	-1	--
Revenue Loss from Van Pools Fees/Taxes (AB 548)	--	-1
AFDC (AB 2X)	-5	--
Interest on Late Vendor Payments (SB 982)	--	-1
Equity Claims Bill (AB 172)	-1	--
Total Chaptered Legislation	+$515	-$489
DOF Revised Revenue Estimate	-$475	-$805
March Revenue Shortfall	-$127	--
(The March revenue shortfall of $127 million was attributable primarily to greater than anticipated income tax refunds. Thus we expect to makeup the revenue loss during April, which is shown under potential budget changes.)		

BUDGET OVERVIEW DETAIL
LIKELY BUDGET CHANGES
GENERAL FUND
(In Millions)

	Effect on Surplus 1981-82	1982-83
Tax Relief	+$13.5	+$5.0

In 1981-82 tax relief will have increased savings of $15 million in the current year because of increased unsecured roll interest offsets against Personal Property Tax Relief subventions. There are increased costs of $1.5 million in the current year for payments to local governments for sales and property tax exemptions.

The budget year savings for tax relief are estimated to be $4.8 million from Senior Citizens Renters and Property Tax Assistance due to lower participation, and Sales Tax exemption reimbursements because of a recovery from prior year overpayments.

Estimated Unidentified Savings	-100.0	--

Because of the 2 percent departmental reductions, the 25 percent reduction in travel expenditures, specific reversion in AB 7X and AB 1253 and the savings in such areas as Medi-Cal, K-12, SSI/SSP, etc., the mid-year revision of the Governor's Budget estimate of $100 million in estimated unidentified savings has been reduced to $50 million.

Freeze Savings	+50.0	--

Executive Order B97-82 froze hiring, contracting, equipment purchases, and reduced travel for State Operations. The current estimate of savings to the General Fund approach $50 million by June, 1982.

Medi-Cal 6 Percent Cap	-36.8	-100.2

The 6 percent cap on hospital cost increases is under litigation. If the hospitals are successful in overturning this restriction, the State will lose $37 million in the current year and $100 million in the budget year. $18.4 million in the current year has already been lost through injunctions and temporary restraining orders.

Replenishment of Reserve	--	-500.0

When the Governor's Budget was released in January, it contained a Reserve for Economic Uncertainties for the 1982-83 fiscal year of $500 million. Since that time the economic situation has weakened significantly, drastically impacting State receipts. Retaining a minimum Reserve of $500 million is necessary considering the current budgetary and fiscal problems. A more prudent Reserve would equal 3 percent of the Budget or approximately $700 million.

	Effect on Surplus 1981-82	1982-83
Local Mandate Claims Bill (AB 2675)	--	(-$38.5)
As amended April 19, 1982, this bill provides $38.5 million for local government, as follows:		
(a) Item 352 of the 1980 Budget Act provided $150.9 million to reimburse schools for Federal and court mandates. The amounts claimed exceed that figure by $11.9 million which is included in AB 2675. The $1.6 million appropriated in Chapter 1053/79 for unemployment insurance benefits has been exceeded by $.8 million and that deficiency is also included in AB 2675. The remaining $4.5 million represents a combination of actual claims filed and estimates of claims to be filed on 16 mandates previously found by the Board of Control.	--	-17.2
(b) Finance is currently preparing estimates of costs for approximately 15 other mandates which the Board is expected to approve at its May 27, 1982 meeting. It is anticipated that the estimates will approximate $20 million in additional costs.	--	-20.0
(c) The State Controller has indicated that the appropriation for the Guardianship/Conservatorship Program will require an addition of approximately $1.3 million.	--	-1.3
Equity Claims Bill (SB 1655)	-$3.2	--
The Claims Bill (SB 1655) has been introduced and is expected to be chaptered this fiscal year.		
Reduction of PERS Transfer--Federal Funds	-13.0	--
The original $187 million savings estimate of Chapter 115/82 (AB 1253) included a school employers estimated $75 million savings based upon both General Fund and Federal Fund contributions. Because an estimated 20 percent of the K-12 employers PERS contributions are made for employees supported by Federal funds subject to restrictions which do not allow them to be redirected to the General Fund, it is expected that Sections 60 and 61 of AB 1253 will be amended to exempt $13.0 million from the reduction in apportionments required by those Sections. This has the impact of reducing the expected savings from AB 1253 and the 1981-82 available General Fund reserves by $13.0 million.		
Federal Oil Royalty Audits	--	+5.0
The State Controller has entered into a joint audit agreement with the U.S. Department of Interior to review Federal oil and gas royalty records. This audit effort is expected to generate $5 million in under-recovered royalties. Technically, this revenue is initially credited to the State School Fund, which will offset the General Fund school apportionment.		

POTENTIAL BUDGET CHANGES
GENERAL FUND
(In Millions)

	Effect on Surplus 1981-82	1982-83
Carryover of 1981-82 Potential Changes	--	-$67.0
K-12 Special Education	-$18.6	--
The size of the potential 1981-82 Special Education Program deficiencies is being revised from $27.0 million to $18.6 million. This change reflects the Department of Finance current estimates of Federal funds and property taxes to be used in support of the program as well as the Department of Finance's calculation of funds appropriated for the Master Plan for Special Education in 1981-82.		
Loss of PERS Transfer	-175.0	--
Previously, the PERS Board of Administration's decision to not transfer funds as appropriated by Chapter 115/82 (AB 1253) was estimated to potentially reduce the 1981-82 surplus by $188.0 million. This estimate is being reduced to $175.0 million to reflect the impact of Federal supplanting restrictions on the estimated amount of Chapter 115/82 (AB 1253) savings resulting from reduced K-14 apportionments (See Likely Budget Changes, Loss of PERS Transfer--Federal Funds).		
Refugee Funding Shortfall	-17.1	-48.7
Lacking an additional appropriation, funding for those refugees linked to categorical aid programs (AFDC, SSI/SSP, and medical assistance) will require State matching funds in lieu of the 100 percent Federal funding for the period June through September 1982. This preliminary estimate does not include those refugees who are non AFDC/SSI eligible. The total funding problem is $102.9 million of which $87.8 million is General Fund and $15.1 million is county. Of the $87.8 million General Fund, $65.8 million is linked to categorical programs and $22 million is for the Refugee Cash Assistance (RCA) program (1981-82 = $4.8 million, 1982-83 = $17.2 million).		
Failure to Pass Balance of Governor's Revenue Program	--	-301.0
The following parts of the Governor's tax program affecting 1982-83 has not, as yet, been considered by the Legislature:		

1. Insurance tax acceleration	-$120 million
2. Corporation tax acceleration	-40 million
3. Deductibility of windfall profits tax	-80 million
4. DIR self-funding	-27 million
5. PUC user funding	-24 million
6. Remainder of sales tax acceleration (final payment due 15th)	-10 million
Total	-$301 million

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	Effect on Surplus 1981-82	1982-83
Failure to Pass Proposed Governor's Reductions	--	-$935.0

The Governor's Budget as proposed included $935 million of budget reductions. If the reductions are not approved by the Legislature and no other reductions are made, the effect on surplus would be a loss of $935 million.

The reductions are in the following areas:

Local Government	$450 million
Medi-Cal	170 million
Education K-12	150 million
State Operations	115 million
Refundable Energy Credits	25 million
Education-Community Colleges	25 million

Success of Initiatives	--	-340.0

Three initiatives which are on the June 8 ballot could result in a $340 million revenue loss in 1982-83:

Propositions 5 and 6 repeal the Inheritance and Gift Taxes and impose the Federal Estate Tax Credit (pickup tax). Adoption of either of these initiatives would reduce Inheritance and Gift Taxes by $140 million in 1982-83.

Proposition 7 provides that the full June-to-June percentage change in the California Consumer Price Index (CCPI) be used to expand (index) the tax brackets. Currently all the credits are fully indexed, but the percentage change in the CCPI is reduced by 3 percent before the tax brackets are expanded.

Revenue loss in 1982-83 attributable of passage of Proposition 7 is estimated at $200 million.

Failure of Prison Bonds	--	-161.8

The Governor's Budget for 1982-83 proposes an appropriation of $161.8 million from the "New Prison Constitution Bond Act of 1981" (Proposition 1) on the June 1982 ballot for voter approval. The Governor's Budget further proposes that in the event the Bond measure fails, $69 million be made available from SAFCO to complete the Tehachapi construction.

The remaining prison expansion projects ($92.8 million) would be reassessed in light of the total budget priorities and a discussion regarding postponement and modification or funding from other sources would be made. However, given the existing and projected pressures in the Department of Corrections it is quite reasonable to assume the need for new prison beds will continue to be critical in the immediate future.

	1981-82	1982-83
Payment of Interest on General Fund Loans	--	-$15.0

In January Finance estimated that the interest cost for the payment of General Fund loans would be $20 million. This assumed that the surplus balance at the beginning of the Budget Year in the General Fund would be $116 million. Assuming that the beginning surplus is close to zero then the additional interest cost for the 1982-83 fiscal year is estimated to be $15 million.

Recovery of March Revenue Loss	+$127.0	--

Preliminary data indicate that income tax revenue in April will be sufficient to offset the March decline. Final April revenues data will be available May 10.

GENERAL FUND COST-OF-LIVING INCREASES
(In Thousands)

May 5, 1982

Agency/Department/Program	1981-82 Budgeted Percent Increase	1981-82 Budgeted Dollar Increase	1982-83 1% Dollar Increase	1982-83 Statutory Percent Increase	1982-83 Statutory Dollar Increase	1982-83 Amount Budgeted Percent Increase	1982-83 Amount Budgeted Dollar Increase
Health and Welfare							
Local Alcohol Programs	6.0	$1,846	$322	--	--	5.0	$1,611
Local Drug Abuse Programs	6.0	1,617	295	--	--	5.0	1,475
Health Services							
County Health Services	7.2	22,701	3,386	12.2	$41,309	5.0	16,923
Medi-Cal-Hospital Inpatient	6.0	30,000	4,722	10.6	50,582	5.0	23,859
Medi-Cal-Drug Ingredients	4.6	1,679	411	6.0	2,464	5.0	2,053
Medi-Cal-"Spin-off"	11.1	19,261	1,529	8.2	12,533	8.2	2,532 a/
PMPs COC and RHF	8.4	10,000	--	--	--	--	--
Nursing Homes, including State Hospitals	4.1	16,204	--	--	--	--	--
Medi-Cal Providers, all others	--	--	10,566	--	--	5.0	52,829
Medi-Cal-Provider Other	6.0	27,618	--	--	--	--	--
Medi-Cal-County Admin	6.0	5,695	1,197	--	--	5.0	5,993
Medi-Cal-EPSDT-Co Adm	6.0	79	--	--	--	--	--
Public Health-Family Plan	6.0	2,130	376	--	--	5.0	1,882
Public Health-CCS	6.0	2,329	425	--	--	5.0	2,124
Public Health-GHPP	6.0	260	50	--	--	5.0	250
Public Health-CHDP-Co Adm	6.0	112	10	--	--	5.0	48
Public Health-CHDP-Direct Svc	6.0	342	61	--	--	5.0	303
Public Health-Other	6.0	913	181	--	--	5.0	904
Dev Svc Regional Centers	6.0	17,337	2,913	--	--	5.0	14,566
Local Mental Health Programs	6.0	20,477	3,486	--	--	5.0	17,428
Social Services							
SSI/SSP	9.2	280,570	34,000 b/	8.2	279,114 c/	8.2	279,114
AFDC	9.2	136,044	15,242	8.2	124,984	8.2	124,984
IHSS-Statutory	9.2	1,541	150	8.2	1,235	8.2	1,235
Maternity Home Care	6.0	132	21	--	--	5.0	105
Access Assist. for Deaf	6.0	96	18	--	--	5.0	91
Adoptions	6.0	1,039	191	--	--	5.0	955
Facilities Evaluation	6.0	371	84	--	--	5.0	419
County Administration	6.0	6,514	1,091	--	--	5.0	5,454
IHSS--Nonstatutory	6.0	2,541	1,463	--	--	5.0	7,314
CCSS--Nonstatutory	6.0	8,660	1,448	--	--	5.0	7,240
24-Hour Response	6.0	476	84	--	--	5.0	420
Demonstration Projects	--	--	16	--	--	5.0	80
Department of Rehabilitation	--	--	425	--	--	5.0	2,124
Youth Authority-County Justice System	--	--	634	--	--	5.0	3,170
Education							
Department of Education							
Total Apportionments	--	(588,964)	(80,942) d/	--	(545,273)	--	(552,047)
K-12--Districts	8.0	559,800	74,769 d/	7.0	523,383	7.0	523,383
Gifted and Talented	6.0	954	169	6.0	1,014	5.0	845
Transportation	6.0	4,470	1,560	--	--	5.0	7,801
Court Mandates	--	--	1,287	--	--	--	--
Adult Education	6.0	9,024	936 d/	6.0	6,053	5.0	4,680
K-12--County Offices of Educ	7.2	14,194	2,118	7.0	14,823	7.0	14,823
General Aid (Meade)	6.0	522	91	--	--	5.0	455
Special Purpose Apportionment	--	--	12	--	--	5.0	60
Child Nutrition	6.0	1,424	260	7.4	1,924	5.0	1,303
Instructional Material	6.0	2,588	409	9.9	4,049	5.0	2,045
School Improvement Program	6.0	9,209	1,627	--	--	5.0	8,135
Economic Impact Aid	6.0	9,720	1,717	--	--	5.0	8,585
Miller-Unruh Reading Program	6.0	916	162	--	--	5.0	810
Native American Indian Educ	6.0	183	3	--	--	5.0	15
Demo Programs in Reading Math	6.0	204	36	--	--	5.0	180
Indian Educ Centers	6.0	42	7	--	--	5.0	35
Resource Centers (Staff Dev)	6.0	90	16	--	--	5.0	80
Professional Dev Center	6.0	42	8	--	--	5.0	40
School Site Staff Dev	6.0	54	10	--	--	5.0	50
Child Care Program	6.0	12,351	2,182	--	--	5.0	10,910
Master Plan for Special Educ	6.0	38,328	6,701	7.0	46,909	7.0	46,909
Preschool	6.0	1,717	253	--	--	5.0	1,263
Division of Libraries	5.0	267	56	--	--	5.0	280
Urban Impact Aid	6.0	3,282	580	--	--	5.0	2,900
Instructional TV	6.0	48	9	--	--	5.0	45
Bd of Gov, Ca Com Coll							
Apportionments	5.0	68,598	12,972	5.0 e/	64,861 e/	5.0	64,861
Special Education Allowances	--	--	184	--	--	5.0	920
EOPS	6.0	1,270	224	--	--	5.0	1,120
Student Aid Commission	6.0	3,176 f/	565	--	--	5.0	2,824
CSU-EOPS	--	--	71	--	--	5.0	356
Teachers Retirement	6.0	9,697	1,713	8.55	14,646	5.0	8,565
Food and Ag--County Pesticide	8.1	216	29	--	--	5.0	144
Personal Property Tax Relief	2.9	14,500	5,116	8.7	44,509	5.0	25,581
Employee Compensation	--	233,583	40,225	--	--	-- g/	168,122
Totals	--	$1,619,053	$240,874	--	$1,234,392	--	$1,485,810

a/Included in budget as a caseload adjustment and not a cost-of-living adjustment.
b/Cost without Federal offset applied.
c/Includes $95,680 which represents Federal share of COL. COLA is General Fund since Federal share is included in the base.
d/This figure is not valid for computing changes to the COLA.
e/Statutory COLA applies only to some categories of programs.
f/COLA applied only to Cal Grant A&B programs.
g/Percent increase and dollar amount to be determined in collective bargaining process.

1956A/33956